

ILLINOIS DEPARTMENT OF REVENUE
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY82-3

TO: All Retailers' and Users Qualifying for Farm Machinery and
Equipment Exemption

SUBJECT: Public Act 82-24--Farm Machinery and Equipment Exemption

The Illinois General Assembly recently enacted Legislation amending the Retailers' Occupation Tax Act, Use Tax Act, Service Occupation Tax Act and Service Use Tax Act to provide for a change in the applicable dates of exemption percentages claimed on the sales or purchases of qualifying farm machinery and equipment used in production agriculture.

The exemption percentage rates are amended as follows:

- (1) 50% from September 1, 1980 through August 31, 1982;
- (2) 100% on or after September 1, 1982.

The date of delivery of an item of machinery or equipment will be deemed to be the date of sale for the purposes of determining sales qualifying for exemption. New or used farm machinery and equipment, including replacement parts certified by the purchaser to be used primarily for production agriculture, will qualify for the exemption if the machinery, equipment or replacement parts individually cost \$1,000 or more. Equipment purchased for lease is included in the exemption. Motor vehicles required to be registered pursuant to the Illinois Vehicle Code are EXCLUDED from the exemption.

The statute defines production agriculture as the raising of or the propagation of: livestock; crops for sale for human consumption; crops for livestock consumption; the production seed stock grown for the propagation of feed grains and the husbandry of animals or, for the purpose of providing a food product, including the husbandry of blood stock as a main source of providing a food product. "Production Agriculture" also means animal husbandry, floriculture, horticulture and viticulture.

The purchaser of qualifying items must certify that the item purchased will be used in production agriculture. The certificate must also include purchaser's name and address, seller's name and address and the purchaser's signature. Blanket certificates of exemption may be accepted by retailers. The certificates are to be maintained by the retailer as a part of his books and records. The following language will be accepted by the Department as a certification of use:

"I, _____, certify that the farm machinery and
equipment being purchased will be used or leased for use primarily

in production agriculture."

The selling price of machinery and equipment after any cash discount and prior to any applicable trade-in should be used to determine if the \$1,000 threshold is met. If so, the exemption would apply to the net amount paid after the trade-in allowance. In reporting the deduction, a taxpayer may not take a deduction for a trade-in allowance and then deduct the 50% exemption on the selling price of the item prior to the trade-in. Trade-ins are limited to property of a like kind and character to that being sold.

If several items of farm machinery or equipment are sold in a single transaction some of which cost \$1,000 or more and others of which cost less than \$1,000, a trade-in allowance for farm machinery and equipment may be applied to purchases which do not cost \$1,000 and any remaining balance may then also be applied to items which would qualify for the exemption if the retailer makes specific allocations on the sales invoice.

Sales of farm machinery and equipment will be reported on a farm exemption schedule provided by the Department (Form RR-594). Retailers will be required to separately report gross receipts, trade-ins allowances and the amounts of qualified exemptions for State and local taxes. Therefore, a retailer's records should clearly reflect these amount.

Local jurisdictions are authorized to reimpose the municipal or county retailers' occupation and Service Occupation Taxes on farm machinery and equipment. Such ordinances are not affected by Public Act 82-24.

If you have any questions regarding the information provided, please feel free to contact the Department of Revenue, Taxpayer Service area at 312-793-3196 in Chicago or toll free (800) 252-8972 for those outside Cook County.

J. Thomas Johnson
Director of Revenue

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